

Testimony of Congressman Bob Goodlatte
Subcommittee on Crime, Terrorism and Homeland Security hearing on H.R. 4777, the
Internet Gambling Prohibition Act
April 5, 2006

Thank you, Mr. Chairman, for inviting me to testify before the Subcommittee on this important issue.

Gambling on the Internet has become an extremely lucrative business. Numerous studies have charted the explosive growth of this industry, both by the increases in gambling websites available, and via industry revenues. Internet gambling is now estimated to be a \$12 billion industry, with approximately \$6 billion coming from bettors based in the U.S. It has been reported that there are as many as 2,300 gambling sites.

Virtual betting parlors have attempted to avoid the application of United States law by locating themselves offshore and out of our jurisdictional reach. These offshore, fly-by-night Internet gambling operators are unlicensed, untaxed and unregulated and are sucking billions of dollars out of the United States. In addition, Internet gambling can serve as a vehicle for money laundering by organized crime syndicates and terrorists.

Contrary to what many in the gambling community would lead you to believe, gambling is not a victimless activity. In fact, the negative consequences of online gambling can be more detrimental to the families and communities of addictive gamblers than if a bricks-and-mortar casino was built right next door.

The anonymity of the Internet makes it much easier for minors to gamble online. Furthermore, online gambling can result in addiction, bankruptcy, divorce, crime, and moral decline just as with traditional forms of gambling, the costs of which must ultimately be borne by society. In fact, I have been contacted by a constituent in my district whose son fell prey to an Internet gambling addiction. Faced with insurmountable debt from Internet gambling, he took his own life. Unfortunately, financial ruin and tragedy are not uncommon among online bettors.

Traditionally, States have had the authority to permit or prohibit gambling within their borders. With the development of the Internet, however, state prohibitions and regulations governing gambling have become increasingly hard to enforce as electronic communications move freely across borders.

Current federal law already prohibits interstate gambling over telephone wires. However, because the Internet does not always travel over telephone wires, these laws, which were written before the invention of the Internet, have become outdated. H.R. 4777, the Internet Gambling Prohibition Act, brings the current prohibition against wireline interstate gambling up to speed with the development of new technology. It also makes clear once and for all that the prohibition is not limited to sports-related bets and wagers.

In addition, H.R. 4777 will add a new provision to the law that would prohibit a gambling business from accepting certain forms of non-cash payment, including credit cards and electronic transfers. This bill also provides an enforcement mechanism to address the situation where the gambling business is located offshore but accepts money from bank accounts in the United States. The bill also provides an additional tool to fight illegal gambling by giving Federal, State, local and tribal law enforcement new injunctive authority to prevent and restrain violations of the law.

H.R. 4777 will return control to the states by protecting the right of citizens in each State to decide through their State legislatures if they want to allow gambling within their borders. The regulation of intrastate gambling is within the jurisdiction of the states, so this bill leaves the regulation of wholly intrastate betting or wagering to the states with tight controls to ensure that such betting or wagering does not extend beyond their borders or to minors.

While my legislation prohibits online, interstate gambling, it does not overturn previous acts of Congress that address gambling. This is a strong anti-gambling bill that also protects the rights of States to determine what is – and is not – prohibited within their borders.

The opponents of this legislation have a lot to lose. Offshore online gambling websites are cash cows and the greed that propels these companies leads them to solicit bettors in the U.S. despite the fact that the Department of Justice already believes this activity is illegal. The greed that motivates many of these offshore establishments has also motivated nefarious lobbyists such as Jack Abramoff to spread misinformation about previous attempts of the Congress to ban online betting.

Internet gambling is a serious problem that must be stopped. The Internet Gambling Prohibition Act will help eliminate this harmful activity before it spreads further. I am happy to answer any questions the members of this subcommittee may have regarding this legislation.